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THE STRUCTURE OF THE PUBLIC SERVICE

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THE STRUCTURE OF THE PUBLIC SERVICE\*

INTRODUCTION

In Canada, the Public Service is made up of the personnel employed in federal departments and state agencies. Since Confederation, the central government has initiated various programs and service that have required the establishment of new departments, regulatory agencies and Crown corporations. This study reviews the evolution of the administrative structures and values that have shaped the federal Public Service. The paper also focuses on reforms of the federal bureaucracy to meet future needs.

DEVELOPMENT OF THE FEDERAL PUBLIC SERVICE

Management of the federal bureaucracy changed considerably during the two decades after the Second World War. Due to the rapid growth of government programs, a greater number of employees with the necessary professional, technical and administrative qualifications were hired to carry out new duties adapted to the new socio-economic era. During the 1950s and 1960s, governments initiated institutional reforms designed to promote the introduction of modern management of government expertise and services. In 1960, a Royal Commission of Inquiry on Government Organization (the Glasco Commission) was established; its findings led to a strategic change of direction which broke for good with the administrative practices of previous years. The final report of the Commission made

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\* This paper is based on an earlier paper by Luc Fortin.



various recommendations with respect to ministerial authority, the merit principle, and the management of public service personnel. The Commissioners recommended that departments be authorized to recruit and select employees for all positions offering a salary above a minimum level. A similar initiative was introduced to correct certain deficiencies in the system of the day. The Commission commented:

By divesting departments of the authority essential to the effective management of their own affairs, the system tended to weaken their sense of responsibility. Each new evidence of irresponsibility within departments seemed to confirm the wisdom of the existing controls and to suggest the need for more. (1)

On the Report's recommendation, the Public Service Commission would retain some jurisdiction over less senior positions in the government hierarchy. The Public Service Commission's exclusive jurisdiction over recruitment, appointments, and appeals, the Treasury Board's central role in personnel management, and the implementation of the principle of "letting the managers manage" in the federal public service, all resulted from the *Glasco Report*. In response to the principle of efficiency promoted by the Glasco Commission, a transfer of responsibilities to the Treasury Board gave that department extensive authority within the government administration.

In response to certain recommendations of the *Glasco Report*, Parliament approved bills designed to initiate real administrative reforms in the federal bureaucracy. The *Public Service Employment Act* and amendments to the *Financial Administration Act* established a sharing of responsibility for personnel matters between Treasury Board and a new government agency, the Public Service Commission. The end of this period also saw public servants gain collective bargaining rights and the right to strike. The 1967 *Public Service Staff Relations Act* established the Public Service Staff Relations Board, which had responsibility for collective bargaining structures and operations as well as for grievance procedures.

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(1) The Royal Commission on Government Organization, *Report*, Ottawa, Queen's Printer, 1962, Vol. 1, p. 44.



During the 1970s, the development of the federal administrative apparatus was guided by the principles of effectiveness, efficiency and accountability. Financial management of the bureaucracy became a focus of political concern. The Royal Commission on Financial Management and Accountability was established to facilitate study of the operational framework of the public service and the principles influencing the work of public servants. In its report of March, 1979, the Lambert Commission recommended transfer of staffing to a new agency, a Management Board, which would take over this function from Treasury Board. In the Commissioners' view, this measure would clarify the responsibilities of central management, and would bring financial and personnel operations closer together.

In the course of studying certain specific aspects of public service operations, the Special Committee on the Review of Personnel Management and the Merit Principle surveyed several hundred representatives of employees, unions and lobby groups throughout Canada. The September 1989 *D'Avignon Report* observed that existing administrative regulations and operations were deficient and imperilled the principles of effectiveness and efficiency required for the sound operation of the public service. Committee members advocated retention of the merit principle. According to the Report, the basic system in effect for the past several decades should be subject to a "reinterpretation of merit."<sup>(2)</sup>

One of the Commissioners' recommendations was that merit should be based on the candidate's aptitude and abilities in the exercise of functions beyond the initial duties of the public service position occupied. The authors of the Report also held that "sensitivity to the public" was an important criterion of merit. In their view, this criterion should be used as a basis for selection at the time of consideration for appointment or promotion. According to the Commissioners, several factors had increased staffing administrative problems to a considerable degree. Thus, lack of leadership, application of excessive, inflexible rules, insufficient training and resources available to public servants, and

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(2) Special Committee on the Merit of Personnel Management and the Merit Principle, *Report*, Ottawa, Department of Supply and Services, 1979, p. 8.



certain deficiencies in the process of accountability, had impeded the establishment of sound management in government departments and agencies.

Both the *D'Avignon* and *Lambert Reports* held that personnel management responsibilities as a whole should come under an administrative agency which would ensure unified direction and open accountability procedures. The government rejected this recommendation, which would have meant restructuring and changing the original mandates of the Treasury Board and Public Service Commission. Federal officials supported an agreement between the agencies in question to establish shared responsibility for personnel management. Under this agreement, Treasury Board retained legal authority in this field except in cases of appointment or appeal, which remained the exclusive preserve of the Public Service Commission.

#### GROWTH OF THE PUBLIC SERVICE

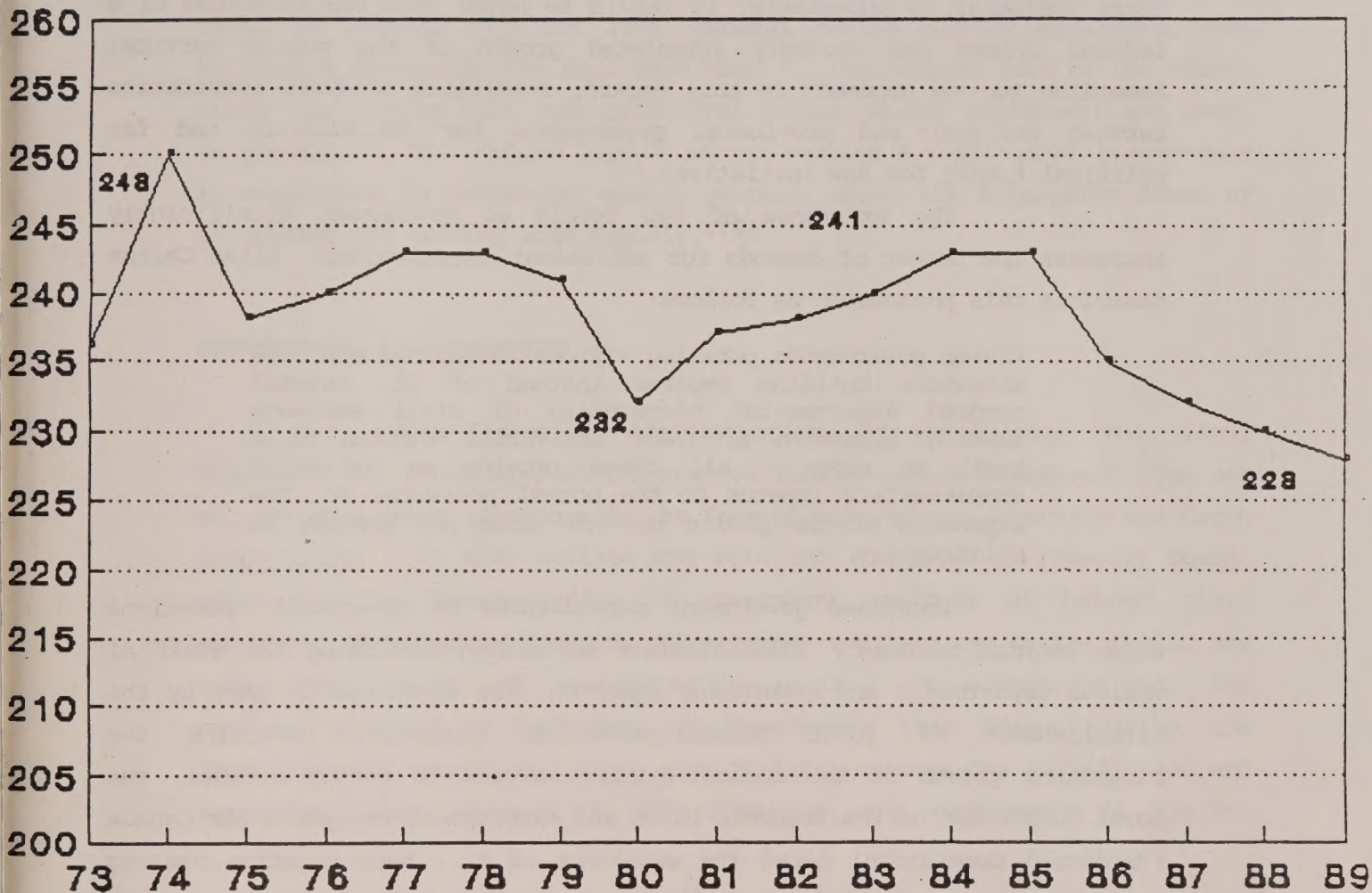
The recommendations of the *Glasco*, *Lambert* and *D'Avignon Reports* were intended to respond to various organizational problems which had resulted from the growth of the federal public service in recent decades. Given the vast human and financial resources invested in the formulation and application of the government's many programs, the Royal Commission and D'Avignon Committee studies contributed significantly to the adoption of institutional reforms within Canada's public service. Changes motivated by considerations of administrative effectiveness and efficiency in the personnel management field affected a substantial percentage of Canadians occupying government department or agency positions.

In Canada, the public sector includes half a million employees working in some 400 bureaucratic organizations. Some of them are subject to regulations of the Treasury Board, which retains exclusive responsibilities in personnel management affecting all departments and central agencies. While there has been a consistent decline of staff since 1973 (cf. Table 1), 228,000 person-years were nevertheless authorized by Treasury Board during the 1988-89 fiscal year for federal departments and agencies under its jurisdiction.



TABLE 1

# Total PY Levels (1973-1988)



Source: Canadian Centre for Management Development: Briefing Sessions for Members of Parliament, 1989, p. 55.



Several factors have contributed to the growth of government activities and the public service. The increase in personal incomes, the effects of inflation, urbanization, ideological changes, technological developments, federal-provincial fiscal relations, and the nature of bureaucratic and political structures have all had an impact on the development of the federal machinery of government. While the influence of these variables is undeniable, it should be noted that the existence of a federal system has strongly stimulated growth of the public service. According to one argument in this regard, federalism produces competition between national and provincial governments for jurisdiction and for political credit for new initiatives.<sup>(3)</sup>

The existence of two levels of government significantly increases the number of demands for additional expenditures. Allan Cairns describes this phenomenon as follows:

Eleven governments pursuing visions instead of one, 200 ministers building empires instead of 25, several hundred departmental hierarchies of civil servants seeking expansion of their activities instead of a tenth as many -- all these provide an extensive supplementary impetus to the normal pressures for the expansion of the public service which are present in politics.<sup>(4)</sup>

Increased government expenditures on government operations which require necessary administrative machinery, including the staff of various departments and government agencies, are explained in part by the establishment of joint federal-provincial programs. Observing the burgeoning growth of the federal public service in recent decades, the Royal Commission on the Economic Union and Development Prospects for Canada (Macdonald Commission) noted the existence of "... much negative feeling against government's presence."<sup>(5)</sup> A look at such indicators as the size

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(3) Robert F. Adie and Paul G. Thomas, *Canadian Public Administration*, 2nd Edition, 1987.

(4) Allan Cairns, "The Other Crisis of Canadian Federalism," *Canadian Public Administration*, Vol. XXII, No. 2, Summer 1979, p. 189.

(5) Canada, Royal Commission on the Economic Union and Development Prospects for Canada, *Major Findings from Briefs and Transcripts, Public Hearings of the Royal Commission*, Fall 1983, p. 122.





of tax revenues and some data on public sector employment confirms that Canada's public service is "...about the same size as in most other countries." (6) Thus, the "extractive capacity" of the Canadian state -- that is, the funding provided to all levels of government for all public services -- is similar to that of most other industrial democracies for the 1950-1978 period. (7) Canadian public sector employment data confirm that "...the growth in personnel was largely concentrated in the decade 1965 to 1975." (8) Between 1975 and 1980, federal public service employment rose by roughly one-third. The data show that "...the federal part of the public sector is growing less than provincial public sector employment and that, in comparison, the federal public sector remains a traditional bureaucracy in comparison to provincial public sectors, where the enterprise forms of government are growing most rapidly." (9)

#### ORGANIZATION AND OPERATION

The *Financial Administration Act* established the legal framework for financial, administrative and personnel management. The Act set out government structure in the form of departments, agencies and Crown corporations. It also defined the role and functions of Treasury Board, which has the responsibility of government employer of federal civil servants. Departments carrying out programs and services to the public are independent policy and administrative units. In accordance with the mandates assigned by Parliament to departments (see Table 2) under the statutes which established them, each Minister assumes the jurisdiction and responsibilities inherent in the direction and management of his/her

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(6) Sharon L. Sutherland and G. Bruce Doern, *Bureaucracy in Canada: Control and Reform*, Royal Commission on the Economic Union and Development Prospects for Canada, 1986, p. 82.

(7) *Ibid.*, p. 83.

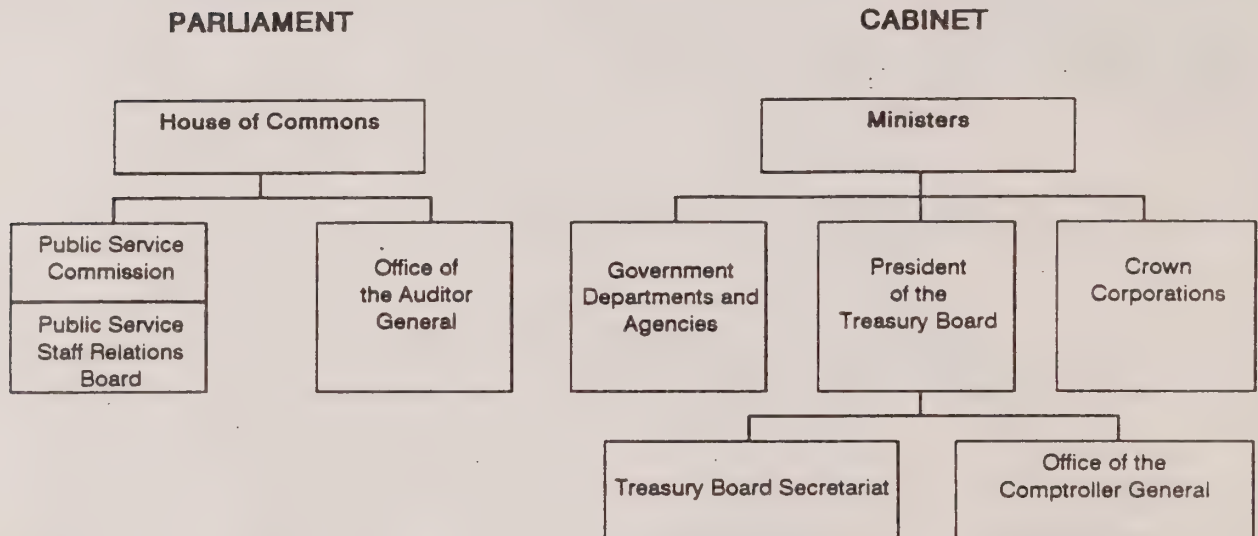
(8) *Ibid.*, p. 92.

(9) *Ibid.*, p. 92.



department. Data compiled in 1989<sup>(10)</sup> show that the federal public service consisted of 23 departments in three broad categories.<sup>(11)</sup> Departments in the first category, line or vertical constituency departments, provide services directly to the public and have large budgets for this purpose. The Departments of Agriculture, Health and Welfare and Communications fall within this category.

**TABLE 2**  
**ABRIDGED ORGANIZATION CHART OF THE PUBLIC SERVICE**



Source: W. L. White, R.H. Wagenburg, and R.C. Nelson, *Introduction to Canadian Politics and Government*, fifth edition, Holt, Rinehart and Winston of Canada, Toronto, 1990, p. 134.

The second group, horizontal administrative coordination departments, provide common services to all departments. Public Works Canada, Revenue Canada and Supply and Services Canada are involved respectively in the management of government real estate, the collection of

(10) Canadian Centre for Management Development, Briefing Sessions for Members of Parliament, 1989, p. 48.

(11) Robert F. Adie and Paul G. Thomas, *Canadian Public Administration*, 1987, p. 158.



taxes, and the purchase of goods and services for the public service as a whole. The third group, horizontal policy coordination departments, plays a leading role in the coordination and implementation of policies in various sectors of government activity. The Departments of Justice and External Affairs fall into this category.

Central agencies, a distinct category, are involved with a number of departments, and carry out various partisan functions or coordinate the policies formulated by the federal Cabinet. Acting respectively as the secretariat to the Cabinet and to the Prime Minister, the Privy Council Office and the Prime Minister's Office carry out the daily tasks associated with Cabinet members' responsibilities. Treasury Board and the Department of Finance oversee preparation of the budget and expenditure planning, and occupy a strategic position within the organization of government. Economic policy and budgetary control are some of the functions assigned to the two central agencies involved in the management of the Canadian government's financial resources.

The *Financial Administration Act* makes reference to Crown corporations which exercise certain responsibilities in the industrial, trade and financial sectors. These government-subsidized enterprises are part of the public sector, and are accountable to Parliament for their management. Operationally speaking, these corporations are independent units which report to a Minister who is accountable to Parliament for the corporation's administration and direction. Federal public service growth during the 1960s and 1970s is partially explained by the creation of Crown corporations which, under government mandate, provide goods and services to their clients. The historic contribution of Canadian National, the Canadian Broadcasting Corporation and the Saint Lawrence Seaway Authority to Canada's socio-economic development was in accordance with the desires of successive governments which were responding to specific needs in a sector of public activity. Various motives also contributed to the establishment of government corporations. On the economic side, the desire to protect industries from fluctuations, the threat of certain monopolies in industry and trade sectors, and the desire to promote national development, motivated Canadian government intervention. Administratively, the

establishment of Crown corporations which report to public servants protects some public sector-related functions from the risk of political interference.

Regulatory agencies and advisory boards affiliated with the federal public service are an independent group which ensures administrative control of activities in accordance with government policy. The varied duties of the different regulatory bodies are described in the Acts which established them. The process of delegated legislation gives some agencies the power to enact regulations which have the force of law. In such situations, the laws which prescribe the mandate of the government agency refer to the power to establish supplementary regulations in accordance with the guiding principles of the Act. Other agencies carry out research in specialized fields or, depending on their mandate, advise the Minister or departmental staff concerning the adoption of new policies. For example, the Social Sciences and Humanities Research Council of Canada provides grants for projects submitted by Canadian academics in their special areas of expertise, and forwards appropriate recommendations to the responsible Minister. One of the common duties of all regulatory agencies is that of rendering a decision on a request or issue in conformity with their mandates. Thus, the Canadian Radio-television and Telecommunications Commission has extensive powers to set telephone price schedules and to renew radio and television broadcasting licences.

The operations of the departments, Crown corporations, and advisory and regulatory agencies contained within the general framework of the public service are subject to the influence of certain directions which affect the current management of public sector institutions. One of the ever-present rules in the development of Canada's public service is the merit principle, which has been a part of the legislation regulating the federal public service since the turn of the century. The system, which prevails within the Canadian public service, is intended to counter partisan appointments and to maintain a division of responsibilities between the political and administrative process. Under this approach, politicians have responsibility for formulating public policies, which are then carried out by public servants. "Combined with non-partisanship, it



[the merit principle] is the condition upon which patronage could be safely relinquished."<sup>(12)</sup> During recent decades, a number of mechanisms have been put in place to preserve equity in public service appointments. An appeal procedure was created to offer the possibility of redress to employees who believe they have suffered from an inadequate or inappropriate appraisal of their merit.

The notion of accountability enters into the relationship between government, Parliament and the public service. Democratic theory would hold that all government bodies are ultimately accountable to Parliament. Debate about this principle concerns the application of strategies permitting adequate control by the Parliament of Canada over the management of Crown corporations. A criticism of the present system is that examination is sporadic, and that means to increase the accountability of public corporations are weak. In his 1982 Annual Report, the Auditor General revealed that the 1982 budgets of approximately one-quarter of Crown corporations had not been approved.<sup>(13)</sup> Generally speaking, the notion of administrative accountability encompasses the legal, institutional and procedural mechanisms requiring public servants to account for the administrative responsibilities conferred upon them. Growth of the federal public service and the increasing number of Crown corporations and government agencies has complicated the implementation of effective measures to ensure the accountability of the various administrative layers and responsible managers. Federal reforms adopted during the 1970s and 1980s initiated an important change of direction which consolidated the process of accountability within the bureaucracy. A restructuring of Cabinet committees in order to transfer substantial decision-making powers to them, the creation of new central agencies and clarification of some existing agencies, changes affecting the legislative committee system, and the reorganization of Crown corporation and regulatory agency structures

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(12) Sharon L. Sutherland and G. Bruce Doern, "Bureaucracy in Canada: Control and Reform," *The Royal Commission on the Economic Union and Development Prospects for Canada*, 1986, p. 21.

(13) *Report of the Auditor General of Canada*, 1982, p. 75-76.

and operations, have contributed to a significant improvement in control of the public service by the executive and legislative branches of government.

#### REFORM OF THE FEDERAL BUREAUCRACY: PUBLIC SERVICE 2000

The Public Service 2000 initiative, which was announced by the Prime Minister in December 1989, launched the first major attempt to overhaul the public service in 25 years and is consistent with earlier reform efforts.<sup>(14)</sup> This reform differs from previous efforts, however, in that, instead of calling on outside expertise, the federal bureaucracy is being asked to reform itself. The overall aim of the exercise, which draws its inspiration from the Total Quality Movement (TQM) in the private sector,<sup>(15)</sup> is to develop a public service capable of meeting demands and facing new challenges into the twenty-first century, a goal which is to be accomplished through changes to management methods. The Prime Minister's announcement proposed that reform to the public service should have two principal components: streamlining the staffing process in order to give managers greater flexibility and devolving decision-making authority in a manner that would encourage public servants to seek out creative solutions to problems rather than clinging to standard operating procedures. In this manner the public service would be better equipped to respond quickly and efficiently to the demands placed on it. Managers would be able to match personnel with the skills required by certain positions and federal employees would be held accountable for results rather than processes, a change intended to make the public service more clientele-oriented.<sup>(16)</sup>

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(14) Canada, The Report of the Auditor General of Canada to the House of Commons (1991), p. 24.

(15) Kenneth Kernaghan, "Career Public Service 2000: Road to Renewal or Impractical Vision?" *Canadian Public Administration*, Vol. 34, No. 4, p. 557-558.

(16) Paul Tellier, "A New Canadian Public Service," *Business Quarterly*, Spring 1991, p. 93.





Under the direction of Canada's most senior public servant, Paul Tellier, the Clerk of the Privy Council, assisted by the Chair of the Public Service Commission and the Secretary of the Treasury Board, ten task forces<sup>(17)</sup> were established to explore ways in which the general guidelines provided by the PS 2000 initiative might be implemented. The task forces were composed of well over one hundred senior public servants, including deputy and assistant deputy ministers and were advised by a consultative committee made up of experts from outside government.

Following the submission of the task forces' reports, the government released a white paper in December 1990 entitled *Public Service 2000, The Renewal of the Public Service of Canada*. This white paper expanded on the themes contained in the original initiative and confirmed them as official government policy for restructuring the public service.

#### BILL C-26

Bill C-26, the Public Service Reform Act represents the first component of the government's effort to implement the recommendations of the PS 2000 initiative. The bill, which received first reading on 18 June 1991, endeavours to simplify public service resource allocation in order to permit federal employees to concentrate greater effort on service to the Canadian public and to simplify the collective bargaining process within the public service. The bill proposes to achieve these ends through amendments to various pieces of existing legislation.

The *Public Service Employment Act* would be amended in order to simplify staffing procedures so that employees might attain greater opportunity for professional development. In making this change, it is hoped that the ability of the public service to attract and retain highly qualified individuals would be enhanced. In addition, a new section would be added to the Act to permit the Public Service Commission to establish

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(17) The following task forces were established: Administrative Policy and Common Service Agencies; Classification and Occupational Group Structures; Compensation and Benefits; Management Category; Resource Management and Budget Controls; Service to the Public; Staff Relations; Staffing; Training and Development and Workforce Adaptiveness.

programs intended to improve opportunities for disadvantaged groups and individuals. Other new provisions would make it easier to hire temporary employees, to lay off employees whose work has been contracted outside the public service and to transfer employees to positions within the service without having to resort to hiring competitions. In order to accomplish this last measure, the number of job classifications would be reduced from 72 to 23, thus giving managers the ability to shift people between jobs without elaborate reclassification procedures. Under current conditions it can take anywhere between four months to a year to fill a position (the average in the private sector is one month), a problem which the new measure is intended to resolve.

Also slated for amendment is the *Public Service Staff Relations Act*; changes here would be intended to facilitate the settlement of bargaining disputes between the government and its employees.<sup>(18)</sup>

#### RESPONSE TO PS 2000 AND BILL C-26

The government's initiative to bring about changes to the federal public service has been met with a mixed response. Most observers have applauded the general intent of PS 2000 as well as a number of the specific measures contained in the initiative. In his 1991 annual report to the House of Commons, Canada's Auditor General indicated his office's firm support for the objectives and principles of PS 2000, writing that the proposed reform "...has the potential to address specific human resource management issues and others that the office has identified in audits since 1979."<sup>(19)</sup> Critics, however, have raised a number of questions about the reform's feasibility. Kenneth Kernaghan, a noted scholar of Canadian public administration, has welcomed PS 2000, which he views as a major step towards the creation of a career civil service in Canada. However, he has

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(18) For a fuller account of the content and implications of Bill C-26 see June Dewetering, Legislative Summary, "Bill C-26: The Public Service Reform Act," Library of Parliament, Research Branch, 26 August 1991.

(19) Canada, Report of the Auditor General of Canada to the House of Commons, Ottawa, 1991, p. 25.



cautioned that lack of understanding about the size of the commitment required to create a new client-oriented culture in the public service and resistance from public service unions present formidable obstacles to achieving the sought-for goals. Even under the most favourable conditions, he argues, the effective implementation of PS 2000 will probably take seven to ten years.<sup>(20)</sup> Indeed, the entire process leading to the articulation of the white paper reforms has come under severe criticism from the unions representing public servants. They have decried their lack of involvement in the exercise and labelled it "...an initiative by management for management..."<sup>(21)</sup> In particular, public service unions worry that aspects of the reform intended to give managers greater flexibility over hiring and firing decisions in effect give them too much discretionary power and strain the principles of the merit system. In addition, unions are concerned that, once the changes had been made, the government would be able to assign more work to outside sources and subsequently dismiss public service employees. All observers appear to be in agreement that the full realization of the objectives of PS 2000 would require the support of public servants. Against a background of a strike by public service unions during the summer of 1991 and general suspicion vis-à-vis the reforms themselves, PS 2000 is facing a difficult future.

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(20) Kernaghan, p. 571.

(21) McIntosh, "Public Service 2000: The Employee Perspective," *Canadian Public Administration*, Vol. 34, No. 4. p. 511.













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